



The Chemical Company

November 26, 2012

Via Certified Mail - RRR

Scott J. Nally, Director
Ohio Environmental Protection Agency
P.O. Box 1049
Columbus, Ohio 43216-1049

Re: BASF Corporation, Elyria Ohio
Voluntary Audit Disclosure Report

Dear Director Nally:

Pursuant to Ohio Revised Code (ORC) Section 3745.72, BASF Corporation makes the following prompt and voluntary disclosure concerning the construction and operation of a new lithium ion battery materials (LiB) plant at its existing Elyria, Ohio site without first obtaining a permit to install an air contaminant source under Section 3745.31 of the Ohio Administrative Code (OAC). This disclosure is made with the intent to qualify for the immunity available under ORC Section 3745.72.

1. The name, address, and telephone number of the owner or operator making the disclosure:

BASF Corporation
120 Pine Street
Elyria, OH 44035
(440) 322-3741

2. The name, title address, and telephone number of one or more persons associated with the owner or operator who may be contacted regarding the disclosure:

Dean Gadoury
EHS Team Leader
BASF Corporation
120 Pine Street
Elyria, OH 44035
(440) 329-2553
(919) 685-7267 (cell)

BASF Corporation
100 Park Avenue
Florham Park, NJ 07932
Tel: (973) 245-7781
Fax: (854) 964-5977
linda.brenneman@basf.com



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and

Linda Mirsky Brenneman
Senior Counsel
BASF Corporation
100 Park Avenue
Florham Park, NJ 07932
(973) 245-7781

3. A brief summary of the alleged violation of environmental laws:

BASF recently constructed a LiB plant at its existing Elyria, Ohio site. The new LiB plant produces cathode materials that are used in lithium-ion batteries that power full-electric and plug-in hybrid vehicles. Based upon the conclusion of an environmental audit, it appears that the LiB plant at the BASF Elyria site was constructed and has been operating in violation of Section 3704.05 of the ORC and Section 3745 of the OAC. More specifically, BASF failed to obtain a permit to install required under Section 3745.31 of the OAC.

In late September 2012, BASF conducted an air permit and hazardous air pollutant audit of its Elyria site as part of a routine compliance assurance check. This routine compliance assurance check is an audit that is voluntarily performed by BASF at its facilities in order to improve compliance and/or correct any instances of non-compliance with the environmental laws. BASF's audits of this type are conducted by employees of BASF, who are not employed at the site or facility at which the audit is being conducted.

As a result of this environmental audit, the BASF auditor reported that he was unable to locate documentation to confirm that an Ohio air permit to install was issued by the Ohio Environmental Protection Agency (OEPA) to BASF covering the LiB plant or that an air permit to install application for the LiB plant had been submitted by BASF to the OEPA as required by ORC Section 3745.31. Further, the auditor reported that the LiB plant likely required a permit to install due to the particulate matter emissions resulting from the mixing of two raw materials during the process. The auditor further reported that the particulate matter emissions from the LiB plant were controlled via filters and dust collectors.

Once alerted to this potential issue, BASF immediately undertook an extensive due diligence investigation to try to locate any relevant documentation. This

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linda.brenneman@basf.com



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investigation included reviewing site files (electronic and otherwise), conducting interviews of current and former employees, and conducting a file review at OEPA's local office. BASF's investigation revealed that all of the calculations necessary to apply for the permit to install had been prepared and that according to the former employee who managed the LiB project (now retired), the application was submitted by him electronically through the OEPA's E-Business system. However, no record of the application's submittal or OEPA's response was found within BASF's records. The investigation also confirmed the auditor's conclusion that a permit to install was required to install the equipment that generated the particulate matter emissions, and the associated emission control equipment.

Given the results of the audit and the inability to locate any documentation confirming that a permit to install application was filed or that a permit to install issued, BASF voluntarily contacted Director Nally via telephone on November 5, 2012 to advise OEPA of BASF's finding and to request assistance to assure OEPA that the appropriate paperwork for the permit to install would be completed as soon as possible. It is BASF's understanding that OEPA also conducted a search upon BASF's notification and likewise did not find that a permit application was submitted or that a permit was issued.

On November 9, 2012, four days after providing verbal notice to OEPA, BASF filed its permit to install application for the LiB plant. Since that time, BASF has been working with its permit writer, Christine McPhee, regarding her receipt and review of the application. Since learning of the issue, BASF has made reasonable, good faith efforts to achieve compliance as soon as practicable.

Significantly, because BASF intended to file a permit to install and therefore had gone through the analysis necessary to complete an application, when BASF proceeded with the construction of the LiB plant, it did so based on the typical permit to install requirements relating to the emission control equipment necessary to control dust emissions. Thus, BASF believes that all appropriate and applicable emission control equipment was installed in the new plant.

In addition, it should be noted that operation of the LiB plant results in only incremental additional particulate emissions of nickel, manganese and cobalt. The high efficiency emission controls installed in the new plant reduce these particulate emissions by 99% or greater, and therefore, the anticipated actual emissions from the new plant are well below the regulated thresholds, amounting to less than 1 ton of total hazardous air pollutants emitted per year from the LiB plant.



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Based on the actual emissions for the LiB plant, the installation and operation of the LiB plant has not resulted in serious harm to human health or the environment, nor has it resulted in any imminent and substantial endangerment to human health or the environment.

4. Statement regarding Section 3745.72 immunity:

The above information is part of an environmental audit report and is being disclosed under ORC Section 3745.72 in order to obtain the immunity provided by that section.

Thank you for your continued cooperation in this matter, and for the efforts taken by OEPA to date to assist BASF in addressing this issue.

Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Linda Mirsky Brenneman".

Linda Mirsky Brenneman
Senior Counsel